December 23, 2009

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20511

Re: Proposed Changes to Closed-End Mortgage Rules (Docket No. R-1366)

Dear Ms. Johnson:

Thank you for the opportunity to comment on the proposed rule amending Regulation Z with respect to closed-end mortgages. I am a loan originator working in the DFW (Dallas/Ft. Worth) area of Texas. With over 12 years as a mortgage banker, I have witnessed first-hand the subprime mortgage meltdown, I agree that additional consumer protections in the residential mortgage loan process are, and have been, needed.

However, I have some concerns with the proposals regarding loan originator compensation. My employer is a small to mid-sized lending institution. Our customers often present unique or complex circumstances that make processing their loan applications time consuming and difficult. I spend a great deal of time on these applications to ensure that they get the extra attention they need and to make sure that the application process goes smoothly for our customers.

This level of attention is often not available at large national lending institutions that take a more "one size fits all" approach and focus solely on volume and production. This is typically highlighted by the 1+800 call-in services where you only get the person on duty....you really don't have a "loan officer". By the way, don't try to reach your loan officer on weekends or evenings!

In order to compensate me for the extra work that I put in on these loans, we sometimes need to charge the customer a higher fee or a higher rate. Often the borrower will prefer to pay a higher rate, either because they do not have additional funds to bring to closing or they are already at the maximum loan to value limit.

If the proposed rule prevents my employer from paying adequate compensation for these loans, loan officers will be less inclined to take on the more complex loan applications – or the loans that need a "quick closing" and must be pushed ahead of other loans. Instead, they will focus primarily on the straight-forward, conventional loan applications that are less time consuming.

The unfortunate consequence of this change in focus will be to make it even harder for many deserving consumers to obtain a mortgage loan, particularly those in underserved communities and/or small business owners.

If the Board adopts the proposed restrictions on loan originator compensation, the limits should apply only to the riskier products that were at the heart of the subprime meltdown. **Because conventional prime loans, as well as FHA&VA loans, do not create the same potential for abuse, the Board should exclude these loans from the restrictions on loan originator compensation and allow for pricing discretion in these loans.**

Also, the new SAFE Act requirements for loan originators, including extensive background checks, rigorous testing and continuing education requirements, will significantly curb the past abuses that precipitated this proposal. The Board should wait to allow the SAFE Act a chance to work before piling on additional and burdensome regulation on loan originators.

Once again, thank you for the opportunity to comment on the proposed rule.

Respectfully submitted,

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